

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 1995
Commission File Number 0-12154

THE PEOPLES HOLDING COMPANY
(Exact name of the registrant as specified in its charter)

MISSISSIPPI 64-0676974
(State of Incorporation) (I.R.S. Employer Identification Number)

209 Troy Street, P. O. Box 709, Tupelo, Mississippi 38801
(Address of principal executive offices)

Registrant's telephone number including area code 601-680-1001

Indicate by check whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities
Exchange Act of 1934 during the preceding 12 months, and (2) has
been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

Indicate the number of shares outstanding of each of the issuer's
classes of common stock, as to the latest practicable date.

Common stock, \$5 Par Value, 2,604,760 shares outstanding
as of April 26, 1995

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
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THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

[CAPTION]

	MARCH 31 1995	DECEMBER 31 1994
	(Unaudited)	(Note 1)
[C]	[S]	[S]
Assets		
Cash and due from banks	\$ 40,492,947	\$ 45,123,177
Federal funds sold	19,000,000	150,000
	-----	-----
Cash and Cash Equivalents	59,492,947	45,273,177
Interest bearing balances with banks	3,164,087	188,549
Securities (Market value- \$203,208,622 and \$212,169,487 at March 31, 1995 and December 31, 1994, respectively)	203,376,122	212,994,410
Loans	522,774,461	511,212,203
Unearned Income	(12,946,146)	(12,010,336)
Allowance for loan losses	(8,541,058)	(8,182,801)
	-----	-----
Net Loans	501,287,257	491,019,066
Premises and equipment	17,110,925	16,780,966
Other assets	21,388,500	20,810,320
	-----	-----
Total Assets	\$ 805,819,838	\$ 787,066,488
	=====	=====
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Non-interest bearing	114,604,959	118,711,872
Interest bearing	598,095,072	577,567,837
	-----	-----
Total Deposits	712,700,031	696,279,709
Treasury tax and loan note account	2,011,836	3,115,183
Notes and debentures payable	4,337,714	4,650,488
Other liabilities	9,583,113	9,281,726
	-----	-----
Total Liabilities	\$ 728,632,694	\$ 713,327,106

Shareholders' Equity		
Common Stock, \$5 par value-		
4,200,000 shares authorized		
2,604,760 shares issued and		
outstanding at March 31, 1995		
and December 31, 1994, respectively	13,023,800	13,023,800
Capital surplus	39,875,796	29,875,796
Unrealized losses on securities,		
net of tax	(1,339,467)	(3,529,765)
Retained earnings	25,627,015	34,369,551
	-----	-----
Total Shareholders' Equity	77,187,144	73,739,382
	-----	-----
Total Liabilities and		
Shareholders' Equity	\$ 805,819,838	\$ 787,066,488
	=====	=====

See Notes to Consolidated Financial Statements

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

[CAPTION]

	THREE MONTHS ENDED MARCH 31	
	1995	1994
	----	----
	(Unaudited)	
[C]	[S]	[S]
Interest Income		
Loans	\$ 11,542,108	\$ 8,886,430
Balances with banks	26,203	22,976
Federal funds sold	135,271	184,090
Securities:		
Taxable	2,334,021	2,377,163
Tax-exempt	674,900	640,833
	-----	-----
Total interest income	14,712,503	12,111,492
Interest Expense		
Time deposits of		
\$100,000 or more	705,372	532,910
Other deposits	4,797,117	3,793,083
Borrowings	103,655	70,045
	-----	-----
Total interest expense	5,606,144	4,396,038
	-----	-----
Net interest income	9,106,359	7,715,454
Provision for loan losses	600,000	500,229
	-----	-----
Net interest income after provision for loan losses	8,506,359	7,215,225
Non-interest income		
Service charges on deposit accounts	1,482,839	1,345,036
Fees and commissions	335,444	405,127
Trust department	130,500	114,420
Securities gains(losses)	(374,423)	52,569
Other	457,231	584,030
	-----	-----
Total non-interest income	2,031,591	2,501,182
Non-interest expenses		
Salaries and employee benefits	4,269,779	3,930,680
Net occupancy	526,897	513,044
Equipment	337,720	281,254
Other	2,757,346	2,566,374
	-----	-----
Total non-interest expenses	7,891,742	7,291,352
	-----	-----

Income before income taxes	2,646,208	2,425,055
Income taxes	758,101	425,103
	-----	-----
Net income	\$ 1,888,107	\$ 1,999,952
	=====	=====

	1995	1994
	----	----
Earnings per share:		
Weighted average shares outstanding	2,604,760	2,604,760
	=====	=====
Net income	\$ 1,888,107	\$ 1,999,952
	=====	=====
Earnings per share	\$.72	\$.77
	=====	=====
Cash dividend per share	\$.24	\$.23
	=====	=====

Cash dividend per share is based on actual amounts declared.

See Notes to Consolidated Financial Statements.

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

[CAPTION]

THREE MONTHS ENDED MARCH 31

	1995 ----	1994 ----
	(Unaudited)	
[C]	[S]	[S]
Operating Activities		
Net Income	\$ 1,888,107	\$ 1,999,952
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	600,000	500,229
Provision for depreciation and amortization	455,067	421,428
Net amortization (accretion) of securities premiums/discounts	2,240,233	595,354
Loss(gain) on sales/calls of securities	374,423	(2,791)
Increase (decrease) in other liabilities	295,886	(943,765)
Deferred income tax	(697,734)	(228,703)
Loss (gain) on sales of premises and equipment	6,420	(653)
Increase in other assets	(894,079)	(319,479)
	-----	-----
Net Cash Provided by Operating Activities	4,268,323	2,021,572
Investment Activities		
Net increase in balances with other banks	(2,975,538)	(197,474)
Proceeds from maturities/calls of securities held-to-maturity	170,791	
Proceeds from maturities/calls of securities available-for-sale	14,264,636	24,310,185
Proceeds from sales of securities available-for-sale	15,496,231	
Purchases of securities held-to-maturity	(1,935,056)	
Purchases of securities available-for-sale	(17,674,336)	(41,043,551)
Net increase in loans	(11,124,542)	(7,872,561)
Proceeds from sale of premises and equipment	107,945	1,314
Purchases of premises and equipment	(757,743)	(460,317)
	-----	-----
Net Cash Used in Investment Activities	(4,427,612)	(25,262,404)

[CAPTION]

	1995 ----	1994 ----
[C]	[S]	[S]
Financing Activities		
Net increase (decrease) in demand and savings deposits	(7,356,581)	35,799,726
Net increase (decrease) in time deposits	23,776,903	(1,006,365)
Net decrease in short-term borrowed funds	(1,103,347)	(874,393)
Increase (decrease) in long-term debt	(312,774)	5,013,781
Cash dividends paid	(625,142)	(556,101)
	-----	-----
Net Cash Provided by Financing Activities	14,379,059	38,376,648
	-----	-----
Increase in Cash and Cash Equivalents	14,219,770	15,135,816
Cash and Cash Equivalents at beginning of period	45,273,177	44,258,382
	-----	-----
Cash and Cash Equivalents at end of period	\$ 59,492,947	\$ 59,394,198
	=====	=====
Non-cash transactions:		
Transfer of loans to other real estate	\$ 256,351	\$ 70,200

See Notes to Consolidated Financial Statements

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
MARCH 31, 1995

Note 1 Basis of Presentation

The consolidated balance sheet at December 31, 1994, has been derived from the audited financial statements at that date. The accompanying unaudited consolidated financial statements reflect all adjustments (consisting only of normally recurring accruals) which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. The statements should be read in conjunction with the summary of accounting policies and notes to financial statements included in the Registrant's annual report for the year ended December 31, 1994. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted in accordance with the rules of the Securities and Exchange Commission.

Note 2 Changes in Accounting Methods

Effective January 1, 1995, the Company adopted Financial Accounting Standards Board (FASB) Statement No. 114, "Accounting by Creditors for Impairment of a Loan" and FASB Statement No. 118, "Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosures." Under the new standards, the allowance for credit losses related to loans that are identified as impaired are based on discounted cash flows using the loan's initial effective interest rate or the fair value of the collateral for certain collateral dependent loans. The adoption of the new rules has resulted in an immaterial effect on the Company's financial condition and results of operations.

Note 3 Securities

Securities consist of the following:

	March 31, 1995		December 31, 1994	
	Amortized Cost	Estimated Market Value	Amortized Cost	Estimated Market Value
[C]	[S]	[S]	[S]	[S]
Available-for-sale	\$156,167,653	\$154,138,158	\$172,586,341	\$167,238,212
Held-to-maturity	49,237,964	49,070,464	45,756,198	44,931,275

Note 4 Income Taxes

Federal income taxes payable (receivable) were as follows:

[C]	[S]
Current	\$ 1,563,890
Deferred	(3,429,108)

	\$ (1,865,218)
	=====

The components of income tax expense (credits) are presented below:

[C]	[S]
Current	\$ 464,112
Deferred	293,989

	\$ 758,101
	=====

The reconciliation of income tax attributable to continuing operations computed at the United States federal statutory tax rates to income tax expense is:

[C]	[S]
Tax at United States statutory rate	\$ 899,711
Add (deduct) effect of:	
Tax-exempt interest income	(227,401)
Amortization of intangible assets	13,323
Dividends received deduction	(8,501)
Other items-net	80,969

	\$ 758,101
	=====

Deferred tax assets resulted largely from temporary differences arising from loan loss provision and effect of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Historically, the Company has produced taxable income which can fully utilize the deferred tax asset.

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Financial Condition

Total assets of The Peoples Holding Company grew from \$787,066,488 on December 31, 1994, to \$805,819,838 on March 31, 1995, or 2.38% for the three month period. Loans, less unearned income, increased \$10,626,448 or 2.13%. Securities decreased from \$212,994,410 on December 31, 1994, to \$203,376,122 on March 31, 1995, due to management's decision to fund increased loan demands.

Total deposits for the first three months of 1995 grew from \$696,279,709 on December 31, 1994 to \$712,700,031 on March 31, 1995, or an increase of 2.36%, with the majority of growth in certificates of deposit.

The equity capital to total assets ratio was 9.57% and 9.37% for March 31, 1995 and December 31, 1994, respectively.

Results of Operations-Quarter Ended March 31, 1995 compared to 1994

The Company's net income for the first quarter of 1995 was \$1,888,107 compared to \$1,999,952 from the first quarter of 1994. The decrease in net income for 1995 compared to 1994 is primarily due to security losses incurred based on management's decision to reinvest funds in securities which will yield a higher rate of return for the remainder of 1995 and beyond. The annualized returns on average assets for the first quarter of 1995 and 1994 were .96% and 1.07%, respectively.

Net interest revenue, the difference between interest earned on assets and the cost of interest-bearing liabilities, is the largest component of the Company's net income. For purposes of this discussion, all interest revenue has been adjusted to a fully taxable equivalent basis. The primary items of concern in managing net interest revenue are the mix and maturity balance between interest-sensitive assets and related liabilities. The net interest revenue was \$14,712,503 and \$12,111,492 for first quarter of 1995 and 1994, respectively. Earning assets averaged \$727.9 million for first quarter of 1995 compared to \$697.7 million for the same period in 1994. The net interest margin was 5.24% and 4.66% for the first quarter of 1995 and 1994, respectively.

The provision for credit losses charged to operating expense is an amount which, in the judgement of management, is necessary to maintain the allowance for credit losses at a level that is adequate to meet the present and potential risks of losses on the Company's current portfolio of loans. The appropriate level of the allowance is based on a quarterly analysis of the loan portfolio including consideration of such factors as the risk rating of individual credits, size and diversity of the portfolio, economic conditions, prior loss experience, and the results of periodic credit reviews by internal loan review, regulators, and the Company's independent accounting firm. The provision for credit losses totalled \$600,000 and \$500,229 for the first quarter of 1995 and 1994, respectively. The allowance for credit losses as a percent of loans outstanding was 1.68% and 1.54% for the quarter ended March 31, 1995 and 1994, respectively. Net charge-offs to average loans remain below .05% for both years.

Non-interest income, excluding security gains and losses was \$2,406,014 for 1995 compared to \$2,448,613 for 1994, or a decrease of \$42,599. Service charges were up \$137,803, fees and commissions were down \$69,683, and other income was down \$126,799. Other income in 1994 included \$165,388 in life insurance proceeds the Company received as a beneficiary of a life insurance policy.

Non-interest expenses were \$7,891,742 for 1995 compared to \$7,291,352 for 1994, or an increase of 8.2%. The components of other expenses reflect normal increases for personnel related expenses and general inflation in the cost of services and supplies purchased by the Company.

Income tax expense was \$758,101 for 1995 compared to \$425,103 for 1994. The Company continues to invest in assets whose earnings are given favorable tax treatment; and in first quarter of 1994, the Company was the beneficiary of a life insurance policy of a key executive, that was given favorable tax treatment.

Liquidity Risk

Liquidity management is the ability to meet the cash flow requirements of customers who may be either depositors wishing to withdraw funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs.

Core deposits are a major source of funds used to meet cash flow needs. Maintaining the ability to acquire these funds as needed in a variety of money markets is the key to assuring liquidity. The Company has worked toward lowering its dependence on other public funds. This has added more stability to the Company's core deposit base reducing the dependence on highly liquid assets.

Approximately 91% of the Company's deposits are composed of accounts with balances less than \$100,000. When evaluating the movement of these funds even during large interest rate changes, it is apparent that the Company continues to attract deposits that can be used to meet cash flow needs.

Other sources available for meeting the Company's liquidity needs include the securities portfolio. The portfolio is composed of securities with a readily available market that can be used to convert to cash if the need arises. In addition the Company maintains a federal funds position that provides day-to-day funds to meet liquidity needs.

Repayments and maturities of loans provide a substantial source of liquidity. The Company has approximately 63% of the loans maturing within the next twelve months.

Capital Resources

The Company is required to comply with the risk-based capital requirements of the Federal Reserve Board, the FDIC and the OCC. These requirements apply a variety of weighing factors which vary according to the level of risk associated with the particular assets. The Company met the guidelines for a well capitalized bank for March 31, 1995, and December 31, 1994. The table below shows the capital ratios of the Company at the dates indicated:

[CAPTION]

	March 31 1995	December 31 1994	Well- Capitalized
	-----	-----	-----
[C]	[S]	[S]	[S]
Tier 1 Risk-Based Capital	14.53%	14.86%	6% or above
Total Risk-Based Capital	15.78%	16.12%	10% or above
Leverage Ratio	9.19%	9.22%	5% or above

Retained earnings through operations have been the primary source of capital over the past three months. The ratio of shareholders equity to total assets was 9.57% as of March 31, 1995, compared to 9.37% as of December 31, 1994. Total shareholders' equity of the Company was \$77,187,144 and \$73,733,881 for March 31, 1995 and December 31, 1994, respectively. This represented an increase of \$3,453,263 or 4.68%.

Management recognizes the importance of maintaining a strong capital base. As the above ratios indicate, the Company exceeds the requirements for a well capitalized bank.

Book value per share was \$29.63 and \$28.31 at March 31, 1995 and December 31, 1994, respectively. Cash dividends paid during the quarter were \$.24 per share compared to \$.22 per share during the same quarter in 1994.

The Company's capital policy is to evaluate future needs based on growth, earnings trends and anticipated acquisitions.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

There were no material proceedings pending at March 31 1995, against the registrant or its subsidiary.

Item 6(b) Reports on Form 8-K

The Company filed a Form 8-K on January 11, 1995, stating that on December 31, 1994, The Peoples Holding Company merged with New South Capital Corporation and its wholly owned subsidiary New South Bank located in Batesville, Mississippi in an acquisition accounted for as a pooling-of-interests. Upon completion of the acquisition, the bank's assets increased from approximately \$765 million to \$785 million.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE PEOPLES HOLDING COMPANY

Registrant

DATE: May 3, 1995

/s/ John W. Smith

John W. Smith

President & Chief Executive Officer

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE MARCH 31, 1995, THE PEOPLES HOLDING COMPANY QUARTERLY FILING (10Q), AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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